County of Suffolk

2020 - 2023
Operating Budget
Multi-Year Financial Plan

Steven Bellone
County Executive

COUNTY LEGISLATURE

Robert Calarco, Presiding Officer

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2	Bridget Fleming
3	Rudy A. Sunderman
4	Tom Muratore
5	Kara Hahn
6	Sarah S. Anker
7	Robert Calarco
8	Anthony A. Piccirillo
9	Samuel Gonzalez
10	Tom Cilmi
11	Steven J. Flotteron
12	Leslie Kennedy
13	Robert Trotta
14	Kevin J. McCaffrey
15	Pending Election
16	Susan A. Berland
17	Tom Donnelly
18	William Spencer

Jason A. Richberg, Clerk of the Legislature

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COUNTY OF SUFFOLK

OFFICE OF THE COUNTY EXECUTIVE
STEVEN BELLONE

January 24, 2020

Presiding Officer Robert Calarco
Suffolk County Legislators
William Rogers Legislative Building
725 Veterans Memorial Highway
Smithtown, New York 11787

Dear Presiding Officer Calarco and Suffolk County Legislators:

In 2019, I announced a financial reform plan that received bipartisan support and implements best practices. The cornerstone of the reform plan was Local Law 24-2019 requiring a four-year financial plan. The multi-year financial plan is a vital tool that will allow us to focus on long-term planning and to see the impact of policy decisions over time. Financial planning uses forecasts to provide insight into future financial capacity so that strategies can be developed to achieve long-term sustainability, consistent with the County's service objectives. In compliance with Local Law 24-2019, I am submitting Suffolk County's first Multi-Year Financial Plan (MYP). The assumptions in this MYP are consistent with my pledge that I will never submit a budget that pierces the New York State property tax cap. The MYP is based on a commitment to spending restraints that will help ensure long-term fiscal stability for Suffolk County.

When I took office in 2012, I assembled an independent team of nonpartisan financial experts to analyze the County's finances. Their assessment found that Suffolk County faced an accumulated deficit of $500 million, with a structural budget gap of $200 million. We took on the challenge to address the County's financial issues with a strategic approach that focused on protecting taxpayers by transforming county government and staying within the 2% property tax cap. We have dramatically reduced the size of government, eliminated the use of one-shot revenues, merged departments, and partnered with the private sector to provide quality healthcare at the health centers. Since 2012, we have reduced the workforce by 12%, saving taxpayers more than $100 million annually. In the past two years, we have aggressively deployed SuffolkShare, our dynamic shared services program, where we are working with other counties, towns, villages and districts to save money, while providing services that are more robust.

In 2013, we required new employees to start contributing to their health care costs. In 2019, we were able to build upon that accomplishment. Because our employees are our greatest asset, we successfully negotiated a fair agreement with all Suffolk County Unions. The agreement requires all participating employees to contribute to their healthcare costs. Coupled with other plan changes, we will save at least $40 million annually on the cost of healthcare for our employees and retirees. This agreement represents a major milestone that protects the taxpayers and is fair to the hardworking men and women who ensure our public safety and help operate our county government. We have produced a framework that is realistic, affordable, and above all else, continues the efforts of my administration to enact significant cost-saving measures.

Another priority of my administration has been to make this County more affordable. To support economic growth, we have increased affordable housing opportunities for our young workforce and veterans. Multi-family housing construction is robust in the County. Since 2014, 70 multi-family housing complexes containing 5,600 units have been built in the County and currently another 4,300 units are under construction. About half of the new units under construction are in rental apartment complexes and half are in ownership complexes. In addition, 104 multi-family housing complexes are currently proposed for construction in the County, containing more than 13,000 additional housing units. Success can be viewed in Wyandanch, Ronkonkoma, Patchogue, Riverhead and Copiague. These new housing opportunities are making it possible for young families to stay on Long Island, while supporting the workforce needs of new industries. In addition, between 2015 and 2019, nine assisted living facilities opened in the County and currently three facilities are under construction.

When we focus on growing our economy, opportunities abound. Sales tax revenues continue to increase and home prices are increasing. Newsday recently reported that, according to the Multiple Listing Service of Long Island for December 2019, the median price of homes sold in Suffolk County rose 10% over the prior year[1].

Long-term forecasting is very difficult. Our approach in creating our first MYP was to be conservative in our assumptions. For example, we are estimating that sales tax will grow by just 2% annually for 2021 – 2023, that there will be no fee increases, and that growth in property taxes will be within the State cap. On the expenditure side, we are assuming that the cost of goods and services will increase by the projected level of inflation. We think that our Social Services (DSS) caseloads will remain at current levels. DSS caseloads are related to the economy, so if there is a recession we can expect caseloads to increase. The Health Department is projecting enrollment increases for children with special needs, as well as contractual rate increases from the providers. We will work with our State elected officials to limit the cost of mandated services, but it is important to recognize that we could be facing significant increases in providing these services.

[1] McDermott, Maura. "Home Prices Surge 10% in Suffolk, 4.5% in Nassau." *Newsday,* 10 Jan, 2020, www.newsday.com/business/home-prices-nassau-suffolk-1.40467096.

I am proud of the transformation that Suffolk County has gone through in the last eight years. The economy is growing stronger; local quality of life continues to be enhanced and the County's finances have strengthened. This Administration has improved finances by addressing decades of non-structural fiscal policies with systematic reforms rather than burdening homeowners with enormous tax increases. The 2020-2023 Multi-Year Financial Plan demonstrates that the County's finances are structurally balanced and will see continued improvement over the next several years.

Sincerely,

Steven Bellone
Suffolk County Executive

2020 Adopted Budget

The major funds for Suffolk County are the General Fund and the Police District Fund.

General Fund

The 2020 adopted revenue for the General Fund is $2,313,577,859 and the 2020 adopted expenditure budget is $2,298,992,840, as summarized in Table 1. This results in an operating surplus of $14,585,019. This surplus will offset the estimated 2019 ending fund balance for the General Fund. The largest revenue component (63%) of the General Fund is sales tax. The estimated 2020 sales tax for the General Fund is approximately $1.45 billion. The largest component of the expense budget is contractual services (43%), followed by personal services (26%). Contractual services include programmatic expenses, such as Medicaid, Safety Net, Family Assistance, Services for Children with Special Needs, and Bus Transportation. Personal services is the cost of salaries and wages for County employees.

Police District Fund

The 2020 adopted revenue for the Police District Fund is $695,783,558 and the 2020 adopted expenditure budget is $684,485,446, as summarized in Table 2. This results in an operating surplus of $11,298,112. This surplus will offset the estimated ending 2019 fund balance for the Police District Fund. The largest revenue component (87%) of the Police District Fund is real property taxes. The estimated 2020 real property tax for the Police District Fund is approximately $608 million. The largest component of the expense budget is personal services (54%).

For more information regarding the adopted budgets, please see the County's 2020 Adopted Operating Budget Narrative Summary and 2020 Adopted Operating Budget Supporting Schedules.

Economic Trends[2]

US Economic Conditions

For 2019, Gross Domestic Product (GDP) growth is projected at 2.3%. Strong gains in household sector wealth and solid, albeit diminishing, growth in real income provide a firm foundation for continued strength in consumer spending. Recent softness in business fixed investment is expected to be replaced with a modest upturn. GDP growth will, in IHS Markit's (the County's consultant) forecast, average 1.8% over the coming two quarters, down slightly from recent averages.

GDP growth is projected at 2.1% through early 2021, modestly above our estimate of potential growth. The year 2021 sees a transition to below-trend growth that persists through 2024. The slowdown after 2020 arises from: (1) waning fiscal stimulus; (2) lagged effects of recent tariff increases and trade policy uncertainty; (3) a reversal of monetary easing starting in late 2020; (4) an upward drift in long-term interest rates as the term premium in Treasury yields gradually normalizes; (5) proximity to full employment that limits growth of labor income; and (6) a

[2] *Suffolk County Sales Tax: Forecast and Analysis.* IHS Markit, 2019, pp. 1-5.

projected deceleration in household wealth, as equity values flatten, and house-price appreciation slows.

Consumer Spending – US Outlook

Continued strength in income growth supports a forecast of solid consumer spending in 2020. Although consumers remain in very good spirits, both the University of Michigan Consumer Sentiment Index and the Conference Board Consumer Confidence Index have edged lower since the most recent round of tariffs were announced in early August. These tariffs target consumer goods and would likely result in higher prices for a wide range of products including clothing, toys, and electronics. Although consumers report that tariffs are negative, trade policy has not yet had a large negative effect on spending. The County's sales tax consultant expects real consumer spending to grow 2.6% in 2020 and 2.3% in 2021. Slowing growth of personal income and equity wealth contribute to this expected deceleration over the next several years.

Over the past few years, inflation has remained generally muted because of relatively flat oil prices, a rising dollar, moderate increases in labor costs, and stable inflation expectations. With stable longer-run inflation expectations and low levels of unemployment, we expect there to be a modest firming of core inflation that will see inflation rise from 1.8% in 2019 to 2.1% in 2020 and remain in the range of 2.0% to 2.1% in subsequent years.

Retail is in a comfortable place, but peak growth is likely in the rear-view mirror. In 2020, tighter labor markets will result in a slower pace of hiring and consumer confidence is likely to recede from its elevated level, as economic growth and the stock market cool. Tariffs could begin to bite as well, eroding consumers' willingness to spend.

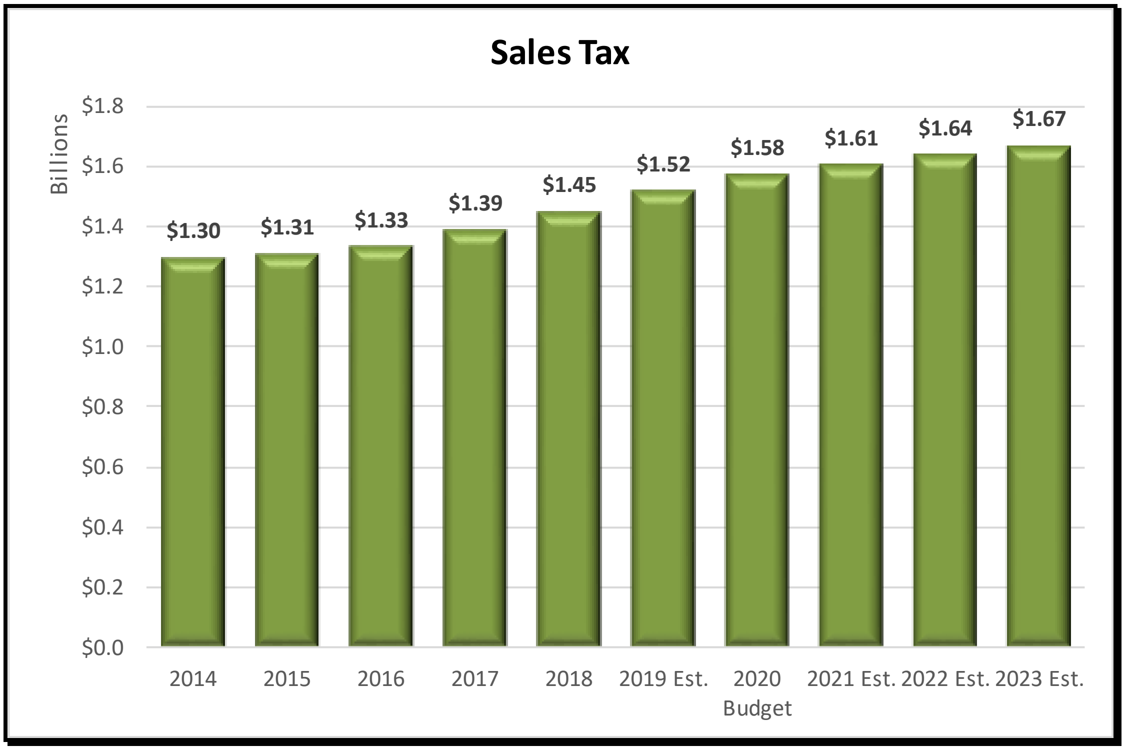
The New York Economy

In 2019, for the month of November, New York continued its modest expansion, with 1.2% job growth year-over-year thanks to, particularly, strong gains in education and health services, followed by retail. The slowdown in job growth indicates that labor markets are reaching a mature phase in the expansion, as unemployment appears to be hitting a floor.

IHS Markit expects job gains to continue their weakness from here on out, with growth turning negative in 2022, in line with national trends. A slowdown in employment growth has been on the radar for some time, as recovery from the recession moves further into the past and the New York economy transitions to a more mature phase of growth. Professional and business services and leisure/hospitality services will be the largest contributors to payroll gains. Unfortunately, our sales tax consultant expects the New York metro areas' finance sector to remain weak over the next five years, falling into outright payroll contraction in 2022. From 2019 to 2024, the metro area will average 0.2% job growth, below the country's 0.6% rate. The outlook for Long Island is for little to no job growth through 2024.

Sales Tax Revenues

We are starting to see the benefits of the Governor's efforts to update New York's sales tax collections to ensure that sales tax owed under state law are collected regardless of the method of purchase. A significant amount of sales tax owed was uncollected when transactions were conducted over the Internet. Now large Internet marketplace providers are required to collect sales tax on behalf of all vendors using their websites.



In addition, the *Wayfair v South Dakota* U.S. Supreme Court Decision clarified that states have the right to collect sales tax on internet transactions coming into their state under most circumstances. Based on New York State's existing sales tax nexus threshold, remote sellers must collect New York state and local sales taxes, if they sell more than $300,000 and conduct more than 100 transactions in the state. The combined budget impact of the State sales tax marketplace fairness update and Supreme Court decision to the County is $10 million in 2019 and $20 million in 2020.

Based on the economic trends, the MYP is based on growth rates of 3% (excluding extra Internet collections) in 2020 and 2.0% annually for 2021-2023. This level of growth is consistent with the annual growth rates achieved during the 2014-2018 time-period, 2.84%. The average annual growth rate for 2019-2023 is projected at 2.41%. It is important that we use moderate growth estimates to protect against a slowdown in economic growth. There is concern with the results of the fourth quarter of 2019; if necessary, adjustments to spending in 2020 will be made to keep us balanced.

Property Taxes

The assumptions in this MYP are consistent with the County administration's practice to never submit a budget that pierces the New York State property tax cap. For the purposes of the MYP, we are assuming that General Fund taxes will remain at current levels and Police District taxes will grow by 1.81% annually.

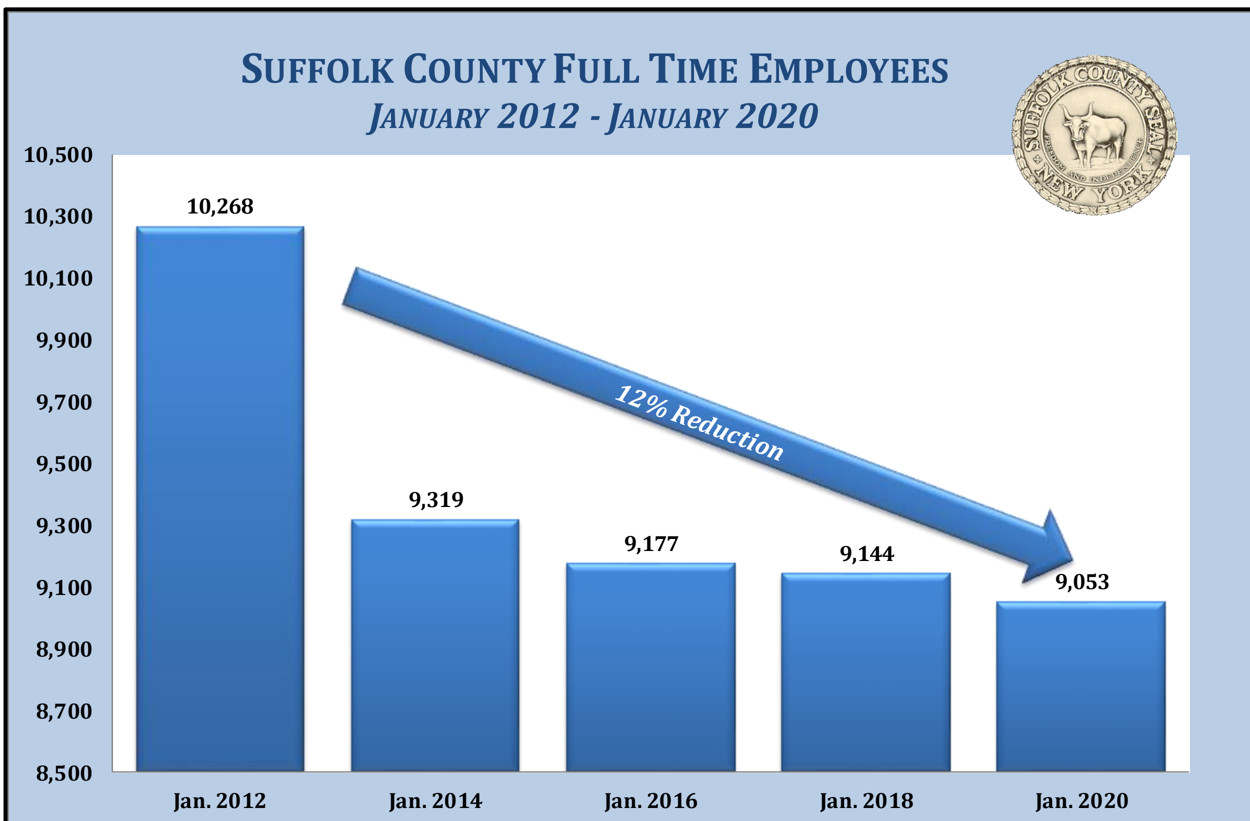
OTB

The mission of the Suffolk Regional Off-Track Betting Corporation (SROTB) is to support the horse racing industry, to aid in the elimination of illegal gambling by providing a legal alternative, and to provide revenue to Suffolk County government. SROTB filed for bankruptcy under Chapter 9 on May 11, 2012. The filing enabled SROTB to continue its operation and to establish a plan to pay back creditors.

The video lottery terminal (VLT) gaming facility, Jake's 58, opened February 27, 2017 and currently, operates 1,000 machines in Islandia. SROTB entered into various mortgage security agreements totaling $58.2 million with Delaware North (DNC) in order to design, develop, construct, and to furnish Jake's 58.

The debt to DNC is expected to be paid off in the spring of 2020. The bankruptcy debt is expected to be paid off in full shortly thereafter. As a result, the expected revenue from VLT's to Suffolk County is expected to increase from approximately $3.3 million in 2019, to $25.0 million in 2020 and to $33.0 million annually starting in 2021.

Workforce Management



**Source: Bi-weekly payroll registers. Reflects only full time employees (permanent salaries), does not include worker's comp or Suffolk Community College.*

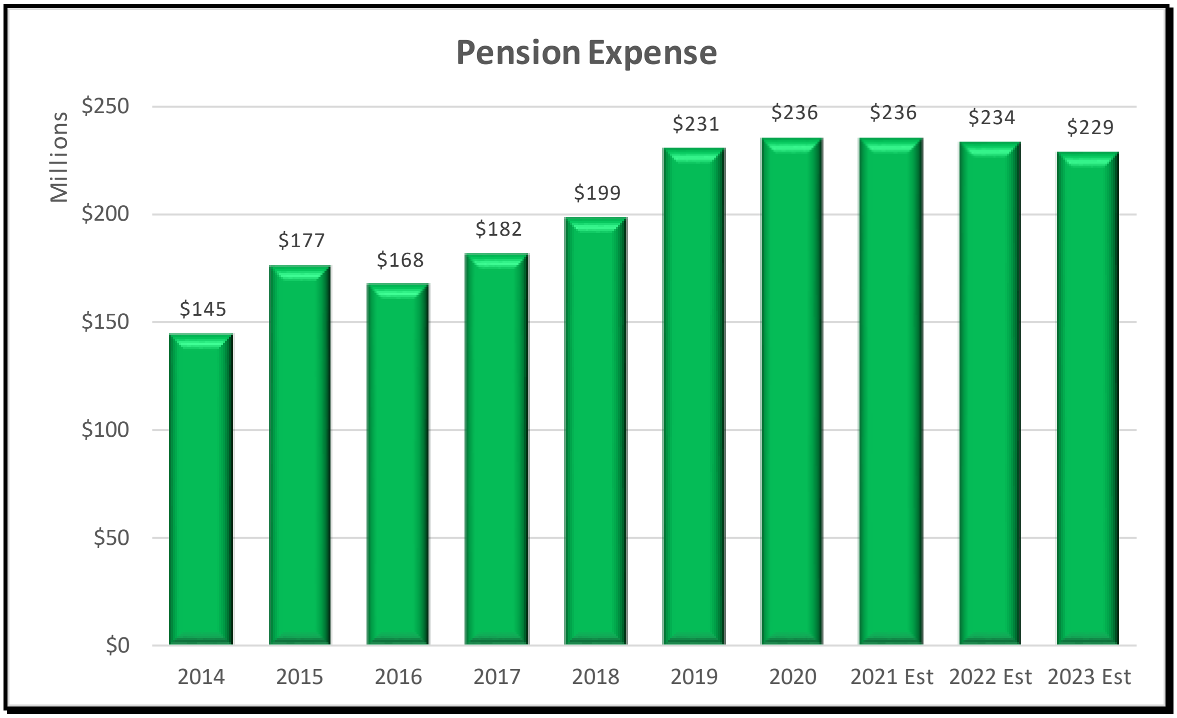
Since 2012, the County workforce has been reduced by over 1,200 full-time positions. We have maintained this lower level of staffing through enhanced departmental management and strict position control. The reduction in workforce is saving taxpayers over $100 million a year. Keeping full-time staffing levels at this lower level is critical to maintaining payroll costs at a manageable level. Staffing may have to be adjusted for our public safety departments, as we analyze the impact of the recently enacted New York State Criminal Justice Reforms.

In addition to the lower workforce levels, we have garnered savings through collective bargaining agreements with our unions. We have demonstrated that fair contracts can be achieved through the negotiation process, instead of the risky binding arbitration process. For example, the six-year agreement with the Suffolk County PBA resulted in the lowest level of raises for Police Officers in decades. Among the highlights of the contract:

- Police Officers will receive average raises of 1.875% per year over the term of the contract – the lowest in history.
- The agreement maintains a 12-year schedule for Police Officers to receive top pay. This will save the County $434,000 per officer in base salary, compared to the prior 6-step schedule, and $740,000 savings per officer with all salary and benefits included, over the term of the agreement.
- The County will achieve $74 million in savings for every 100 Police Officers hired per year over 12 years.
- Police Officers will be required to work an additional 14.5 days for the first year upon graduation from the Academy and 17 days the following year, which will save $9.7 million in overtime costs over the term of the agreement.
- The number of usable sick days available to newly hired Police Officers has been reduced by half, from 26 days to 13 days.

PENSION

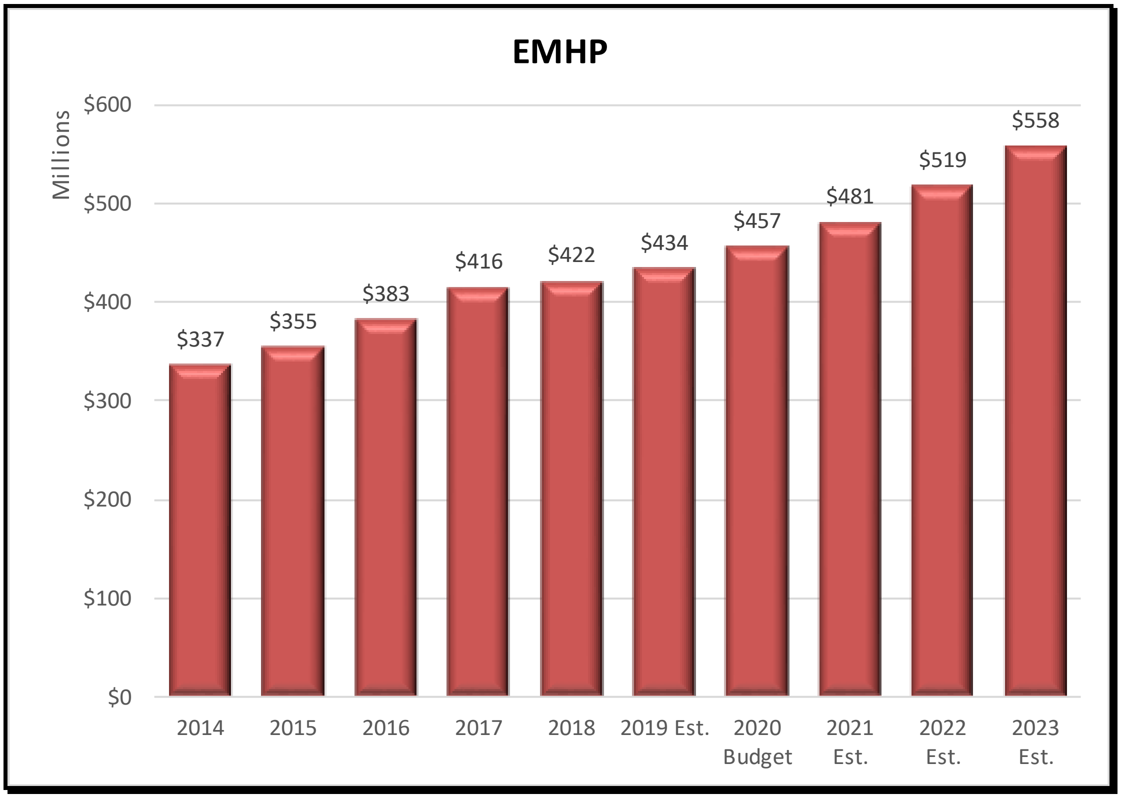
The chart on the next page illustrates the impact of pension costs since 2014. The pension bill for 2014 was $233.9 million, but in order to reduce the impact of the rapid growth in pension rates, the County, as did many municipalities, chose to amortize a portion of the pension bill. As a result, the impact on taxpayers was smoothed out and the pension expense for 2014 was reduced to $145 million. The graph on the next page shows the annual pension expense for 2014-2020 and the amounts estimated for 2021-2023.



As a sign of the County's improved finances, in 2019, we ended the practice of deferring a portion of the pension bill. The 2020 Adopted Budget continues the practice of fully paying the pension bill, demonstrating that the Budget is **structurally balanced**. The assumption for the MYP is that the County will continue to pay the pension bill in full.

Pension costs will steadily decline starting in 2022, as prior amortizations are paid off. Not reflected in the MYP is the potential impact of reduced contribution rates, as the workforce becomes comprised of more Tier 6 employees. The County contribution rate for the typical Tier 4 employee covered by the New York State Employees' Retirement System is 15.7%, whereas the contribution rate for a Tier 6 employee is 9.2%. The savings for police officers is greater. The County contribution rate for a Tier 2 employee covered by the New York State Police and Fire Retirement System (PFRS) is 25.1%, whereas the contribution rate for a Tier 6 PFRS employee is 15.3%.

EMPLOYEE MEDICAL HEALTH COSTS



Health insurance costs have been the biggest financial issue facing the County. The rising cost of health care, which, in 2018, represented 15% of the total county budget, was on an unsustainable trajectory, in part due to major medical, prescription and hospital costs.

In order to curtail rising health costs, the County worked with all County unions to identify cost savings and plan design changes, which will result in tens of millions of dollars of savings, over the term of the agreement. For the first time in history, all County employees are now contributing to their Employee Medical Health Plan. This is a historic achievement, which coupled with the plan design changes, will produce approximately $40 million annually in total health care savings, upon full implementation of the agreement.

ECONOMIC DEVELOPMENT & WATER QUALITY

We continue to invest in the promotion of Suffolk County as an outstanding travel destination. Tourism continues to grow year-over-year, as campaigns marketing our beautiful assets reach wider audiences. In 2019, there was a 10% increase in park attendance compared to 2018. With an increase in visitors, the County benefits from visitor expenditures and sales tax revenues.

Additionally, we continue to advance critical economic development initiatives, such as Jumpstart Suffolk, which identifies projects and infrastructure improvements supporting new Transit Oriented Developments and the revitalization of existing downtowns.

Recognizing the importance of our environment, my administration will continue to support efforts to reduce nitrogen pollution in our groundwater. The County's Septic Improvement Program (SIP) provides County grant funding to residential property owners in an amount up to $20,000 to upgrade their existing onsite sewage disposal system to a nitrogen reducing sewage disposal system, known as an innovative and alternative onsite wastewater treatment system (I/A OWTS).

RESERVES

Fund 401-General Capital Reserve Fund

The adopted 2020 beginning fund balance is $0. The fund will receive transfers of nearly $4.5 million from various funds. These funds will be used to fund PAYGO projects in the 2020 Capital Budget and to reimburse ($3.4 million) the Capital Fund for police vehicles that were purchased in 2017 ($6 million) without bonds. It is estimated that the fund balance will be $0 at the end of 2020.

Fund 403-Tax Stabilization Reserve Fund

The adopted 2020 beginning fund balance is $49,646,832. There are no planned expenditures or transfers from this fund. It is estimated that the fund balance will grow to $49,741,832 at the end of 2020, due to interest earnings.

Fund 404-Assessment Stabilization Reserve Fund

The adopted 2020 beginning fund balance is $34,946,021. Some of these funds will be used to stabilize tax rates in various sewer districts and $2 million will be transferred to the Sewer Infrastructure Program Fund (406). It is estimated that the fund balance will grow to be $49,162,734 at the end of 2020. The fund will receive a transfer of nearly $12.1 million from the General Fund, as part of the repayment of funds transferred to the General Fund from the Assessment Stabilization Reserve Fund in 2014-2017. In addition, the fund will receive 25% of the sales tax revenue received in the Water Protection Fund (477) and transfers from various sewer districts.

Fund 405-Southwest Assessment Stabilization Reserve Fund

The adopted 2020 beginning fund balance is $91,235,239. Some of the funds will be used to fund capital projects in the Southwest Sewer District. The fund will receive a transfer of nearly $3.2 million from the Sewer District 3 Fund (203). It is estimated that the Southwest Assessment Stabilization Reserve Fund balance will decrease to $41,532,332 at the end of 2020.

Fund 438-Insurance Reserve Fund

The adopted 2020 beginning fund balance is $0. The fund will receive a transfer of $1 million from the General Fund (001). It is estimated that the Insurance Reserve Fund balance will be $1 million at the end of 2020.

RISKS AND RECOMMENDATIONS

The tables that follow outline the projected financial results for 2020-2023. The projected results illustrate that the County will have an operating surplus each year of the MYP. Those results yield from current economic conditions, conservative revenue growth estimates and sensible expenditure growth estimates. It is possible that the results could be better than what is outlined in the MYP, since we are using below normal sales tax growth rates. However, we recognize that there are risks to the MYP. We face the specter of a downturn in the economy. In December 2019, State Comptroller Thomas DiNapoli stated, "The national economy has now been growing for more than a decade – a lengthy expansion, by historical standards. While we have no way of knowing exactly when that will change, we can be sure that at some point a downturn will come."[3]

Other economic risks include changes in monetary policy. Increased interest rates would increase the County's debt service expenses and limit our ability to invest in our infrastructure. In addition, higher interest rates could negatively affect our real estate related revenues.

Each year the County is also faced with changes in federal and state laws that increase the costs of providing current services or add unfunded/underfunded mandates. We will continue to work with our elected federal and state officials to prevent that from happening, but it is a challenge that must be recognized, as we work to protect our financial future.

Based on the projected results of the MYP our County has the opportunity to rebuild our reserves in accordance with best financial practices. According to Comptroller DiNapoli, "the State must be prepared to safeguard essential services and avoid undesirable tax increases....The need for such safeguards is especially great today given our experience with volatile revenues in recent years, the challenges of an increasingly globalized economy, heightened climate-related threats to infrastructure, and potential cuts to federal aid, which accounts for more than a third of the State budget"[4]. Although Comptroller DiNapoli was referring to New York State, he could have easily been referring to Suffolk County.

Rebuilding budgetary reserves will effectively protect taxpayers over the long term. Increasing reserves are viewed positively from a credit perspective and thus will serve as an important factor in raising the county's bond rating. An increased bond rating will lower borrowing costs in the future. Increased reserves will also help smooth out financial operations when revenues and/or expenditures do not align with projections in the financial plan, helping prevent the need to pierce the property tax cap or make additional cuts to services.

In addition, rebuilding budgetary reserves would improve the county's cash flow. At the right levels, we could eliminate the need for Revenue Anticipation Notes (RAN) and reduce the level of our Tax Anticipation Notes (TAN) further reducing costs for taxpayers. Improving the County's credit rating along with reducing short-term borrowing will result in lower interest payments, saving taxpayers millions of dollars.

[3] *The Case for Building New York State's Rainy Day Reserves*. Office of the New York State Comptroller, 2019, pp. 1-22.
[4] *The Case for Building New York State's Rainy Day Reserves*. Office of the New York State Comptroller, 2019, pp. 1-22.

Table 1: Fund 1 2020 - 2023

001 - General Fund				
Revenue	**2020 Adopted**	**2021 Estimated**	**2022 Estimated**	**2023 Estimated**
Real Property Taxes	49,036,632	49,036,632	49,036,632	49,036,632
Non Property Taxes	1,480,585,758	1,517,682,173	1,547,360,517	1,577,632,427
Real Property Tax Items	49,804,647	49,804,647	49,804,647	49,804,647
Departmental Income	149,322,607	149,551,137	149,849,211	150,154,514
Charges to Other Governments	15,777,701	15,777,701	15,777,701	15,777,701
Uses of Money & Property	22,894,480	27,199,867	27,299,867	27,399,867
Capital Fund Earnings	988,000	988,000	988,000	988,000
State Aid	281,568,922	285,169,130	288,859,481	293,884,137
Federal Aid	200,627,238	200,981,746	201,662,206	202,961,272
Interfund Revenue	62,971,874	63,201,910	63,372,088	63,510,526
Total Revenue	**2,313,577,859**	**2,359,392,943**	**2,394,010,350**	**2,431,149,723**
Expenditures				
Personal Services	603,552,009	609,178,264	613,247,658	619,089,375
Equipment	1,268,331	1,293,698	1,319,572	1,345,963
Supplies, Materials, & Other Expenses	35,922,087	35,890,339	36,603,675	37,331,278
Contractual Expenses	982,127,479	995,979,310	1,010,365,628	1,025,110,863
Other	7,000,000	7,000,000	7,000,000	7,000,000
Principal on Debt	91,140,443	90,211,742	95,319,231	101,542,427
Interest on Indebtedness	45,500,556	44,170,038	43,792,270	43,354,357
Employee Benefits	181,311,216	182,803,702	182,054,166	180,378,705
Interfund Transfers	351,170,719	359,048,101	380,951,464	404,619,583
Total Expenditures	**2,298,992,840**	**2,325,575,194**	**2,370,653,664**	**2,419,772,551**
Operating Surplus/(Deficit)	14,585,019	33,817,749	23,356,686	11,377,172
Opening Fund Balance	(14,585,019)	0	0	0
Transfer to Contingency Fund and/or Reserves	0	33,817,749	23,356,686	11,377,172
Ending Fund Balance	**0**	**0**	**0**	**0**

Over the period covered by the MYP, we have the opportunity to add $68.6 million from the General Fund to our reserves. The County Administration is committed to presenting budgets each year that will build up our reserves in accordance with best financial practices, if our estimates materialize. In addition, to the extent that the results are better than expected, the County Administration will work with the Legislature to adopt a policy that makes the best use of those funds, such as, but not limited to, paying down debt, one-time capital purchases, or further increasing reserves.

Table 2: Fund 115 2020 - 2023

115 - Police District Fund

Revenue	2020 Adopted	2021 Estimated	2022 Estimated	2023 Estimated
Real Property Taxes	607,963,890	618,968,036	630,171,358	641,577,459
Non Property Taxes	32,212,733	32,856,988	33,514,127	34,184,410
Real Property Tax Items	10,846,328	10,846,328	10,846,328	10,846,328
Departmental Income	3,142,340	3,142,340	3,142,340	3,142,340
Charges to Other Governments	115,000	115,000	115,000	115,000
Uses of Money & Property	2,874,871	2,874,871	2,874,871	2,874,871
State Aid	200,000	200,000	200,000	200,000
Interfund Revenue	38,428,396	38,074,564	36,718,658	33,372,092
Total Revenue	**695,783,558**	**707,078,127**	**717,582,682**	**726,312,500**
Expenditures				
Personal Services	372,727,039	373,144,892	378,341,435	383,745,872
Equipment	49,410	50,398	51,406	52,434
Supplies, Materials, & Other Expenses	3,025,818	3,086,334	3,148,061	3,211,022
Contractual Expenses	12,109,450	12,216,570	12,321,036	12,427,318
Principal on Debt	4,489,307	4,804,851	5,265,309	3,996,170
Interest on Indebtedness	1,311,734	1,398,378	1,498,227	1,611,693
Employee Benefits	126,460,279	127,497,153	128,407,520	127,903,015
Interfund Transfers	164,312,409	165,182,623	174,628,853	186,369,573
Total Expenditures	**684,485,446**	**687,381,199**	**703,661,847**	**719,317,097**
Operating Surplus/(Deficit)	11,298,112	19,696,928	13,920,835	6,995,403
Opening Fund Balance	(11,298,112)	0	0	0
Transfer to Contingency Fund and/or Reserves	0	19,696,928	13,920,835	6,995,403
Ending Fund Balance	**0**	**0**	**0**	**0**

Over the period covered by the MYP, we have the opportunity to add $40.6 million from the Police District Fund to reserves. Specifically from the Police District Fund, the County Administration would like to create an Employee Benefit Accrued Liability Reserve Fund. The purpose of this fund would be to pay for any accrued "employee benefit" due to an employee's termination of service. Every year when we create the budget, we have to estimate the number of uniformed police personnel that will retire the following year and what those payouts will be. The creation of this reserve, as permitted by General Municipal Law Section 6-p, would protect the County budget from an abnormal or unforeseen number of retirements.

The modernization of the County's Insurance Reserve Fund was part of the financial reforms adopted in 2019. The 2020 Adopted Budget includes a transfer of $1 million from the General Fund to the Insurance Reserve Fund. The Insurance Reserve Fund was established to fund certain uninsured losses, claims, actions, or judgments. In the future, the Police District Fund should also contribute to the Insurance Reserve Fund.

CONCLUDING STATEMENT

This Multi-Year Financial Plan is a financial outlook based on current laws, systems, inflators, service trends and staffing levels. Based on the assumptions used by the Budget Office, it appears that we are prepared to face unknown risks, if we rebuild our reserves. The MYP estimates surpluses each year of the MYP, so the policy question becomes what we do with those surpluses. Financial experts agree that the prudent policy decision is to bolster our reserves. Over the next four years, we will continue to focus on government innovation, technology, criminal justice reform, protecting our environment, shared services and long-term financial stability.

Multi-Year Plan Baseline Inflators

The Multi-Year Financial Plan is based on conservative assumptions for all fiscal years. The estimated inflators should be considered averages for the 2021-2023 timeframe.

Table 3: 2020 – 2023 Major Baseline Inflators

Revenue/Expenditure Category	Baseline Inflator	Explanation
Property Taxes	1.81%	Only used for Police District. The State Comptroller recently released the property tax cap for school districts.
Sales Tax	2%	Consultant estimates that moderate growth would be 2.5%, so we chose 2% to be conservative.
Departmental Income	0%	Assumed no fee increases and current levels of activity, except for a slight growth in para transit ridership, which is consistent with the expenditure growth.
Charges to Other Governments	0%	Any growth will be offset by increased expenditures.
Use of Money & Property	0%	Used the 2019 Estimate instead of the Adopted Budget because of bond premium.
Capital Fund Earnings	0%	No change.
State Aid	Variable	Assumed reimbursement rates would not change, therefore revenue changes as expenditures increase.
Federal Aid	Variable	Assumed reimbursement rates would not change, therefore revenue changes as expenditures increase.
Interfund Revenue	Variable	General Fund is relatively unchanged. It is impacted by increased transfer from the Water Protection Fund as sales tax revenue increases. Police District Fund will decrease as we expect net revenue from the Traffic Violations Bureau Fund to decrease due to fewer red light ticket violations.
Personal Services	Variable	Estimates are based on the existing and estimated future labor agreements and projected turnover savings.
Equipment	2%	Estimated CPI
Supplies, Materials & Other	2%	Estimated CPI
Contractual Expenses	1%	County can negotiate, but expect some inflationary growth.
Medicaid	0%	Assuming no change in savings from Medicaid Cap or from Affordable Care Act.
DSS Programs	0%	Assuming flat caseloads
Early Intervention	3%, 5%	Increase of 3% through June 2021 based on contract cap. 5% in out-years.
Preschool Program	5%	3% enrollment increase plus estimated 2% rate increase
Preschool Transportation	3%, 5%	Increase of 3% through June 2021 based on contract cap. 5% in out-years.
Suffolk County Transit	3.50%	DPW Estimate based on prior contracts.
Principal on Debt	Variable	Assuming increased infrastructure investment.
Interest on Indebtness	Variable	Assuming increased infrastructure investment.
Employee Benefits	Variable	Consistent with Personal Services, but will see reduced pension payments due to the payoff of previous amortization programs.
Interfund Transfers	Variable	The largest component of this category is EMHP. We are estimating that EMHP's expenses will increase by a blended rate of 7.5%. The current employee contribution rate is 2.0%. It will increase by 0.1% each of the MYP year and the funds will have to make up the difference in the costs.